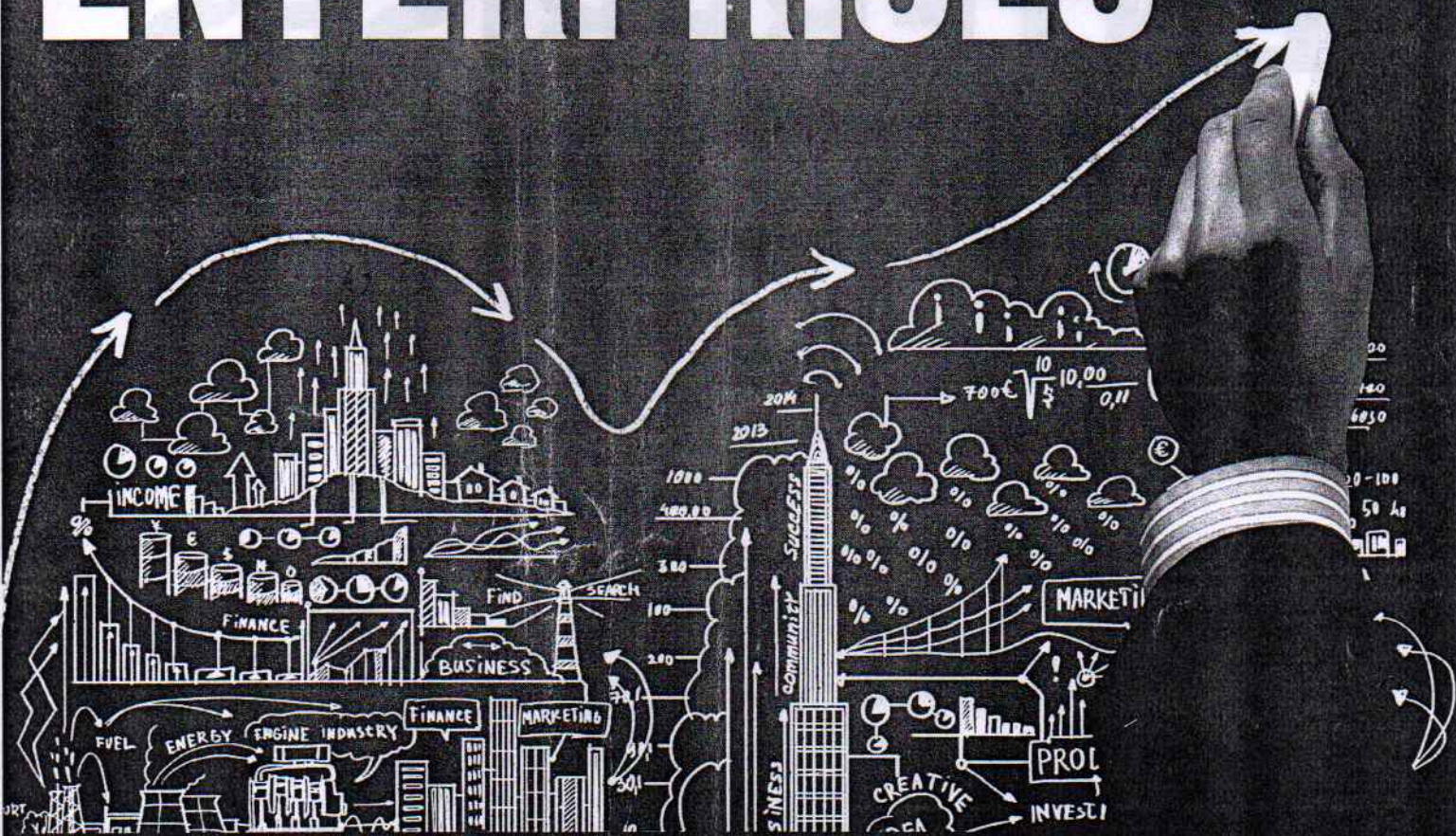


Changing Dimensions of **EMERGING BUSINESS ENTERPRISES**



Edited by
Shekhar Upadhyay
Tripta Rawal
Ashish Mehta

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BUSINESS
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CSR LAW IN INDIA: A MEASUREMENT AND IMPROVEMENT OF CSR SPEND BY CORPORATE SECTOR

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Dr. Maheshchandra P. Joshi Chetana's Hazarimal Somani College of Commerce & Economics and Smt. Kusumtai Chaudhari College of Arts, Mumbai.

Introduction

Corporate Social Responsibility (CSR) in form of charity to poor has been practiced informally in ancient times. It seems to be much similarity between history of CSR in India and historical development of India. Traditionally it was been carry out as voluntary contribution for the development of society. As per Indian tradition CSR is an activity that was performed but not deliberated. One of the most contemporary definitions is from the World Bank Group, stating, "Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development". The new amended Companies Act 2013 mandates the corporate laying in certain category to spend on CSR practices.

The Companies Act 2013

The new amended Companies Act 2013 has introduced several provisions and one such provision is spending on Corporate Social Responsibility (CSR) activities which would change the way of accountability towards CSR by Indian corporate.

- **Clause 135, Companies Act, 2013**

Section 135 of the 2013 Act states that every company having:

- net worth of Rs 500 crore or more, or
- turnover of Rs 1000 crore or more ,or
- net profit of Rs 5 crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board.

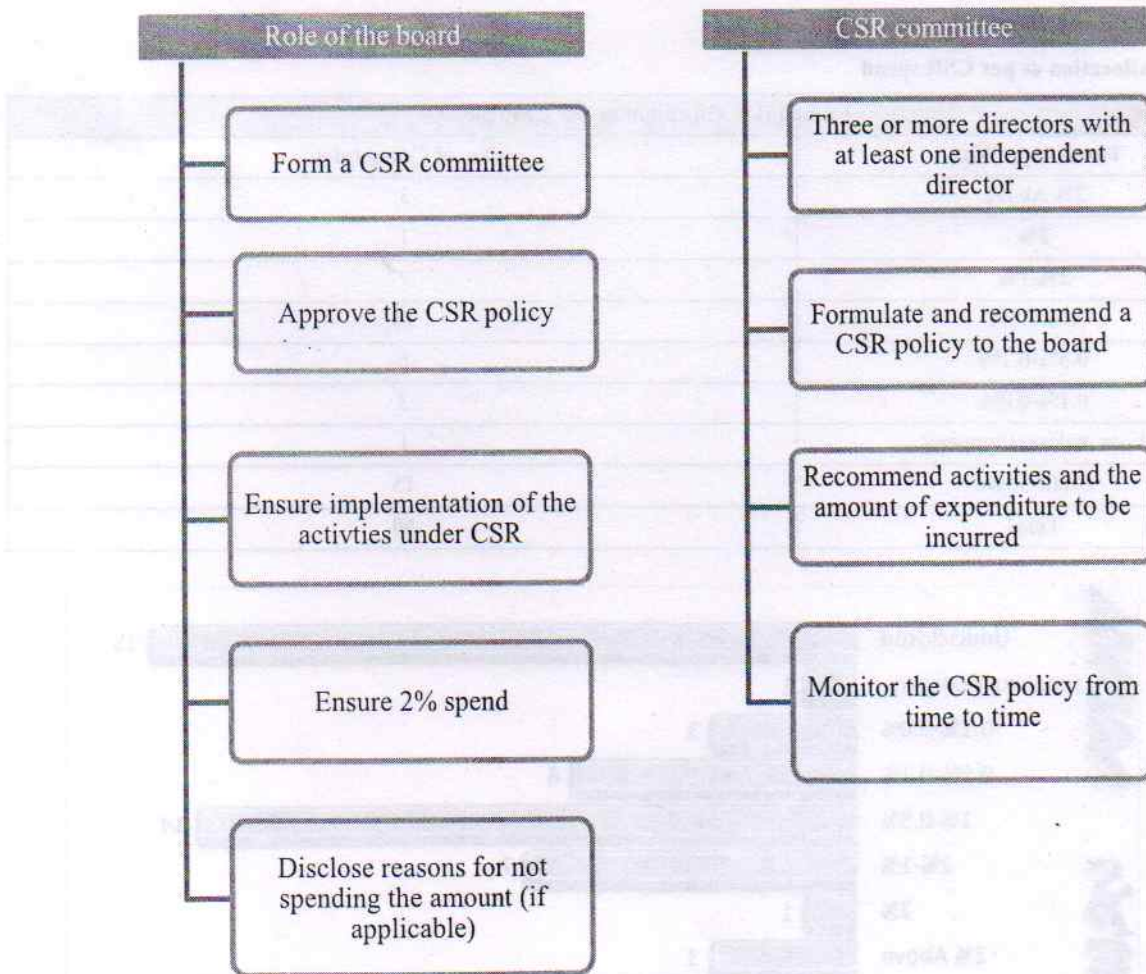


Fig 1: Role of the board and the CSR committee

CSR activities as per Schedule VII

The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act. Companies Act requires the CSR policy created by the CSR Committee to involve at least one of the following focus areas:

- Eradicating extreme hunger and poverty;
- Promotion of education;
- Promoting gender equality and empowering women;
- Reducing child mortality and improving maternal health;
- Combating HIV, AIDS, malaria and other diseases;
- Ensuring environmental sustainability;
- Employment-enhancing vocational skills;
- Social business projects;
- Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government or the state governments for socioeconomic development, and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- Such other matters as may be prescribed.

The 2013 Act provides that companies shall give preference to the local area and areas around it where it operates for spending the amounts earmarked for CSR activities.

Objective

- To study the CSR Law in new amended Companies Act 2013.
- To analyze the CSR spend by corporate sector.
- To find the wide responsibility gap between 2% of PAT and actual spend on CSR by companies.

Research Methodology

Data Collection

The research paper is primarily based on secondary data and it is collected from related websites mentioned in the references. Researcher has randomly selected companies based on article “CSR Report Card: Where Companies Stand” details of which are mention in references.

CSR spend by 50 Companies

Companies Allocation as per CSR spend

Companies Allocation as per CSR spend	
Percentage Wise	No. of Companies
2% Above	3
2%	1
2%-1%	7
1%-0.5%	14
0.5%-0.1%	6
0.1%-0.0%	3
Loss making Company	1
Undisclosed	15
Total	50

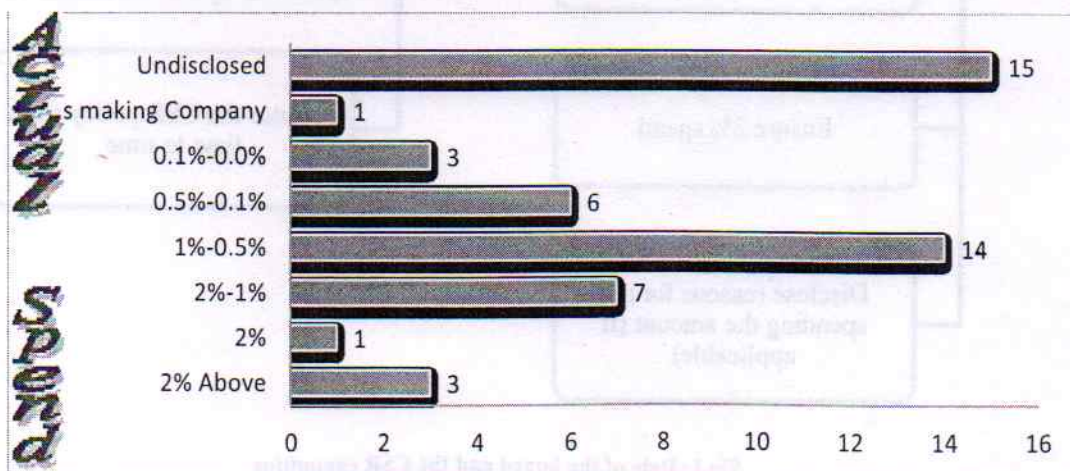


Fig 2: Actual CSR spend by Companies

Analysis

- Out of 50 companies, 3 are spending more than 2% of its average profit-after tax (PAT) on CSR activities and only 1 company is spending 2% of PAT on CSR activities.
- Among 50 companies, 7 are spending between 2%-1%, 14 are spending between 1%-0.5% on their CSR activities.
- Between 0.1%-0.0%, 3 companies are spending which needs to make serious plans for ramping up its CSR spends. Out of 50 companies, 15 are not disclosing their CSR spend and one is loss making company which doesn't need to spend on CSR activities as per the provision of Companies Act.

Wide Responsibility Gap of 10 Companies

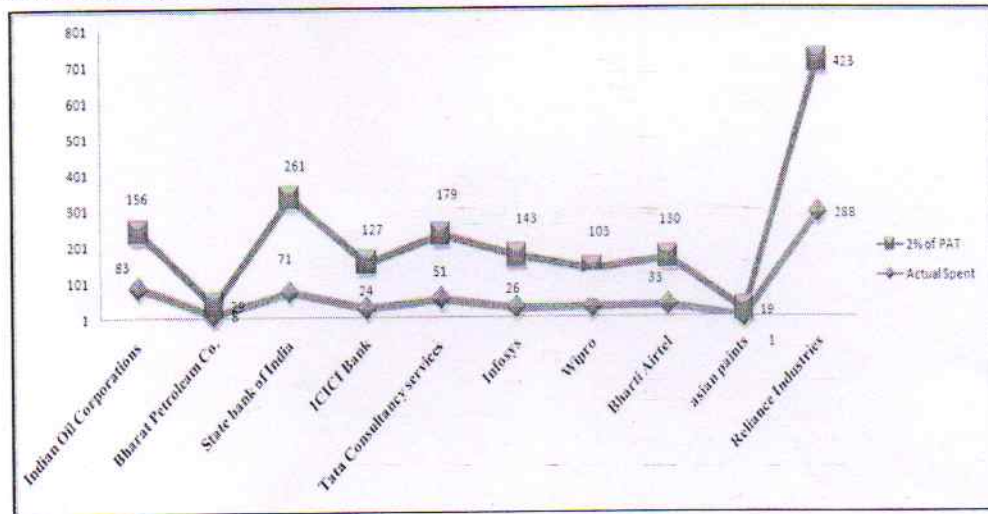


Fig 3: Gaping of actual spend and 2% of PA1 by Companies

Conclusion

CSR Law in companies act will help to measure and improved the performance of companies spending of CSR. Companies which are laying under the CSR provision have to focus on building the capability to formulate and implement a strong CSR Policy. The new amended Companies act 2013 will increase the transparency of CSR spending by companies and will also increase the extent to which sustainable development is a priority for companies. The analysis on CSR spend by companies conclude that majority of companies are eligible as per provision of Companies Act 2013 but are not spending 2% of its profit-after tax (PAT) on CSR activities. Companies need to concentrate on their CSR spending at earliest as reporting will be done on an annual basis commencing from FY 2014-15. Wide responsibility gap of actual spend and 2% of PAT conclude that companies need to pick up their CSR spend as there is wide gap between the companies spending on CSR comparing to 2% of PAT as per CSR Law. The CSR law promotes towards the strengthening of the relationship between corporations and their stakeholders by publicly revealing their contribution to the development of society at large. Disclosure and transparency of CSR spending will be indication for the appreciation of CSR law in India.

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